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ADOPTION OF THE REPORT OF THE COMMISSION ON ITS TWENTIETH SESSION

Rapporteur: .....

Draft report

Chapter __

EXPERIENCE GAINED IN TECHNICAL COOPERATION RELATING TO FOREIGN DIRECT INVESTMENT AND TRANSNATIONAL CORPORATIONS

Experience gained in technical cooperation relating to foreign direct investment and transnational corporations

1. The Commission considered item 7 of its agenda at its 9th meeting, on 6 May 1994. It had before it the following documents:

(a) Report by the UNCTAD Secretariat on Technical Cooperation Activities (E/C.10/1994/8);

(b) Report by the UNCTAD Secretariat on Entrepreneurship and Enterprise Development (E/C.10/1994/9);

(c) Report by the UNCTAD Secretariat on Technical Assistance for a new South Africa (E/C.10/1994/11).

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2. In the introductory statement, the Assistant Director for Advisory Services on International Business stated, that in most developing countries under the impact of harsh economic conditions and pressures of competition for investments has led to more comprehensive approaches by Governments in attracting foreign investment. Today, Governments not only seek assistance in revising their foreign investment law, but are increasingly interested in developing an overall favourable investment climate through appropriate macroeconomic and other management policies and the development of support systems for local enterprises.

3. The Assistant Director continued by saying that the technical assistance programme not only entails advisory services, but also training of public and private sector representatives in foreign investment issues. Training of entrepreneurs is part of these activities and is done through the EMPRETEC programme which targets small- and medium-scale enterprises and assists in making these businesses dynamic and therefore attractive partners for foreign investors. EMPRETEC is now operational in eight different countries in Latin America and Africa and already assists more than 2,250 entrepreneurs.

4. There is a continued demand from developing countries and economies of Eastern Europe for technical assistance on issues related to transnational corporations and foreign investment. The Head of the Branch expressed his hope to be able to respond to these requests and emphasized especially the needs of the newly elected Democratic Government of South Africa, which has the enormous task of building a local capacity and at the same time win the confidence from the international business community to attract foreign investments. The Head of the Branch concluded the introductory statement by emphasizing that the technical assistance programme cannot exist without financial support from donor countries and donors were asked, now that the restructuring of the programme into UNCTAD has been completed, to resume their regular contributions to the General Trust Fund.

5. Many delegations from developing countries and countries with economies in transition expressed their appreciation of the Division's technical assistance activities in the areas of policy-making and related legislation, foreign direct investment promotion, privatization, development of human resource and enterprise

development. Some delegations mentioned results of specific technical assistant activities in their own country and requested continuation as well as expansion of these programmes. Several delegates of developed countries also expressed their appreciation of the technical assistance programme. One delegate specifically mentioned the valuable work in the development of government policies to improve the international competitiveness of developing countries. The same delegate also congratulated the Secretariat for the excellent quality of the reports prepared by the Secretariat on technical cooperation activities.

6. A delegate who spoke on behalf of a large group of developing countries complimented the technical assistance activities of the Division as they put much of the Division's valuable research into practical use. Many countries benefited from the Division's technical assistance programme and the group called upon UNCTAD to continue and further strengthen the work in this area. The group noted that the technical assistance programme adjusted to the wider scope of areas which have to be addressed for promoting and supporting foreign investment and local business. It also expressed its appreciation for the programme's shift towards "fine tuning" issues to suit specific needs of individual countries. The group further emphasized the importance of training programmes to build national capacities and was pleased to notice that training is now an important part of the overall technical assistance programme. The delegate concluded in saying that the group urges donor countries to contribute to the Trust Fund to provide adequate resources to continue this commendable programme of technical assistance.

7. A delegate of a developed country stated that in the case of the Division on Transnational Corporations and Investment, the marriage between analytical work and technical cooperation activities has been fruitful and harmonious. The delegate also observed that there is a growing demand for technical assistance from many countries who are trying to attract foreign investment. Lack of resources makes it, however, impossible for the Division to adequately respond to these requests. The delegate noted that the Division survived the transfer from New York to Geneva in fairly good shape and that the delegate's Government would like to express its confidence in the Division's capability to continue its quality work by resuming its contribution to the Trust Fund with a donation of

US$ 275,000. This amount is not earmarked for any specific project, though the delegate mentioned that it would be appreciated if some of these funds could be used to help establish a good framework for international investment in the newly democratic South Africa. The delegate concluded in urging other donors to join in resuming financial support for the technical assistance activities of the Division.

8. The delegate of an African country joined other delegates in congratulating the newly democratic Government of South Africa and encouraged the Division to assist the new Government in their new challenge to attract new foreign investors. The delegate of a developed country encouraged the technical assistance programme to continue and expand its assistance to least developed countries.

9. The delegate of a Latin American country as well as an African country elaborated on the results and successes of the EMPRETEC programme in their respective countries. They expressed their hope that donor countries would resume financial support to the technical assistance programme, so that the Division could continue its valuable work in this field.

10. The delegates from two developed countries expressed their special appreciation for the activities in the area of entrepreneurship and business development. One delegate mentioned that from 1995, Business and Development will be a permanent item on the agenda of the General Assembly. The delegate expressed his hope that this will strengthen UNCTAD in pursuing its activities in this field. The delegate from a West European country which previously contributed to the EMPRETEC programme suggested that the package of activities under this programme should continuously be upgraded to adjust its services to the changing needs of participating entrepreneurs.

11. The delegate of a South-East Asian country emphasized the importance of small- and medium-scale enterprise development in accomplishing overall economic development, and welcomed a programme like EMPRETEC. The delegate observed, however, that this programme only operates in countries in Latin America and Africa and recommended that the Secretariat broadens the scope of the programme to Asia. The same delegate also elaborated on the work done in the area of

Build-Operate-Transfer arrangements and emphasized the importance of technical support to developing countries who are experimenting in this field.

12. The delegate of another South-East Asian country underlined the importance of transnational corporations (TNCs) as sources of technological know-how and generators of investments in developing countries. The delegate emphasized the importance of the technical assistance programme in helping Governments in attracting TNC investments and requested donors to resume their contributions to the Trust Fund to assure the continuation of this programme. Special reference was made to the project proposal "Assistance to ASEAN Countries in Capital Market Development". This regional programme proposal, designed by the Division in cooperation with government agencies, is not yet implemented due to lack of financial support.

13. Delegates of a developed and a developing country mentioned that they would appreciate it in future if countries could be mentioned by name in the reports prepared by the UNCTAD Secretariat. It makes it more difficult for delegates to assess the impact of the technical assistance programme if countries are referred to as "an African country or a country in the Caribbean received assistance in ...".

14. In response to the issue raised by the delegates regarding the mentioning of country names in the Secretariat's reports, the Assistant Director for Advisory Services on International Business stated, that what was important was the nature of the problem and the appropriateness of the policy response and advisory prescription, rather than the name of the particular country. Moreover, although failure to mention the name of the country does make it somewhat more difficult to retain the interest of the reader, a greater loss would be incurred if the Division were not able to analyse the experiences of various countries in an objective manner without fear of triggering political sensitivities. In his concluding remarks, the Head of the Branch expressed his appreciation for the positive reactions from the many delegations who participated in the debate. He, however, emphasized that continuation of the technical assistance activities discussed during the debate can only be realized with sufficient financial support. The Head of the Branch thanked the donor country who announced its

renewed contribution to the Trust Fund and expressed his hope that other donors will follow in renewing their confidence in the programme.

15. The Chairman closed the meeting by mentioning that he was very pleased with the large number of countries participating in the debate on technical cooperation activities, which reflects the wide appreciation and interest from member countries in this part of the Division's programme.